

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10 - QSB

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-26403

FPB Financial Corp.
(Exact name of small business issuer as specified in its charter)

LOUISIANA
(State or other jurisdiction of
incorporation or organization)

(72-1438784)
(I R S Employer
Identification No.)

300 WEST MORRIS AVENUE, HAMMOND, LOUISIANA 70401
(Address of principal executive offices)

Issuer's telephone number, including area code: 985-345-1880

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the
Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such
reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Shares of common stock, par value \$.01 per share, outstanding as of May 13, 2002: 320,155

Transitional Small Business Disclosure Format (check one):

Yes ☐ No ☒

FPB FINANCIAL CORP.

FORM 10-QSB

QUARTER ENDED MARCH 31, 2002

PART I - FINANCIAL INFORMATION

Interim Financial Information required by Rule 10 - 01 of Regulation S - X and Item 303 of Regulation S - B is included in this Form 10 - QSB as referenced below:

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FPB FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2002 AND DECEMBER 31, 2001

	<u>March 31, 2002</u> <u>(Unaudited)</u>	<u>Dec. 31, 2001</u>
ASSETS		
Cash and cash equivalents:		
Cash and non-interest-earning deposits.....	\$ 298,256	\$ 432,258
Interest-earning deposits in other depository institutions.....	<u>6,052,924</u>	<u>3,217,356</u>
TOTAL CASH AND CASH EQUIVALENTS	6,351,180	3,649,614
Investment securities (Available for Sale)	3,235,235	4,232,558
Investment securities (Held to Maturity).....	1,079,475	1,200,668
Federal Home Loan Bank stock.....	568,100	564,000
Loans receivable	60,156,475	59,389,448
Less:		
Loans in process.....	(287,323)	(76,111)
Allowance for loan losses	(160,103)	(153,326)
Net deferred loan costs.....	<u>128,681</u>	<u>122,000</u>
Loans receivable, net	<u>59,837,730</u>	<u>59,282,011</u>
Accrued interest receivable	240,812	201,810
Premises and equipment, net.....	1,398,334	1,387,967
Prepaid expenses and other assets.....	<u>107,520</u>	<u>116,615</u>
TOTAL ASSETS	<u>\$ 72,818,386</u>	<u>\$ 70,635,243</u>
LIABILITIES AND EQUITY		
Deposits:		
Non-interest-bearing demand.....	\$ 3,298,359	\$ 3,029,372
Interest-bearing	<u>50,775,610</u>	<u>49,073,114</u>
Total deposits.....	54,073,969	52,102,486
Interest payable on deposits	82,110	68,881
Advances from Federal Home Loan Bank	11,200,000	11,200,000
Accrued expense and other liabilities.....	339,908	260,179
TOTAL LIABILITIES.....	<u>65,695,987</u>	<u>63,631,546</u>

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2002 AND DECEMBER 31, 2001

	<u>March 31, 2002</u> <u>(Unaudited)</u>	<u>Dec. 31, 2001</u>
EQUITY		
Preferred stock \$.01 par value, 2,000,000 shares authorized, none issued	---	---
Common stock - \$.01 par value, 5,000,000 shares authorized, 331,355 shares issued	3,314	3,314
Additional paid-in capital.....	2,988,736	2,986,660
Unearned Compensation.....	(330,053)	(335,151)
Treasury Stock (11,200 shares at March 31, 2002 and 11,200 shares at March 31, 2001)	(132,421)	(132,421)
Retained earnings - substantially restricted.....	4,580,962	4,468,431
Accumulated other comprehensive income (loss).....	<u>11,861</u>	<u>12,864</u>
TOTAL EQUITY	<u>7,122,399</u>	<u>7,003,697</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 72,818,386</u>	<u>\$ 70,635,243</u>

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME

Three Months Ended March 31, 2002 and 2001

	-----Three Months Ended-----	
	March 31, 2002 <u>(Unaudited)</u>	March 31, 2001 <u>(Unaudited)</u>
INTEREST INCOME		
Mortgage loans and fees	\$ 995,184	\$ 850,006
Loans on deposits.....	20,739	18,044
Consumer loans.....	66,612	47,134
FHLB stock and other investment securities available for sale.....	40,368	105,183
Investment securities held to maturity	17,168	30,905
Demand deposits.....	<u>19,278</u>	<u>86,686</u>
TOTAL INTEREST INCOME	<u>1,159,349</u>	<u>1,137,958</u>
INTEREST EXPENSE		
Deposits	461,864	626,588
Federal Home Loan Bank advances.....	<u>158,812</u>	<u>125,027</u>
TOTAL INTEREST EXPENSE	<u>620,676</u>	<u>751,615</u>
NET INTEREST INCOME	538,673	386,343
Provision for Loan Losses.....	<u>15,000</u>	<u>---</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>523,673</u>	<u>386,343</u>
NON-INTEREST INCOME		
Gain on sale of investments	1,710	---
Insurance commissions	4,853	1,910
Service charges on deposits	10,478	7,464
Other	<u>43,627</u>	<u>27,903</u>
TOTAL NON-INTEREST INCOME	<u>60,668</u>	<u>37,277</u>

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME

Three Months Ended March 31, 2002 and 2001

	Three Months Ended	
	March 31, 2002 <u>(Unaudited)</u>	March 31, 2001 <u>(Unaudited)</u>
NON-INTEREST EXPENSE		
Compensation and employee benefits	210,962	177,911
Occupancy and equipment	18,247	19,825
Data processing	39,942	26,215
Advertising	12,537	13,350
Professional fees	13,831	12,673
State shares tax	16,500	21,000
Federal insurance expense	2,260	2,175
Stationery, printing, and supplies	2,898	6,460
Other	<u>58,046</u>	<u>58,054</u>
TOTAL NON-INTEREST EXPENSE	<u>375,223</u>	<u>337,663</u>
INCOME BEFORE INCOME TAXES		
	209,118	85,957
Income tax expense	<u>73,450</u>	<u>29,850</u>
NET INCOME	<u>\$ 135,668</u>	<u>\$ 56,107</u>
Basic earnings per common share	<u>\$.47</u>	<u>\$.19</u>
Diluted earnings per common share	<u>\$.46</u>	<u>\$.19</u>
COMPREHENSIVE INCOME		
Net income	135,668	56,107
Other comprehensive income (loss)		
Unrealized gain (loss) on investment securities, net of deferred tax expense (benefit)	<u>(1,003)</u>	<u>9,165</u>
COMPREHENSIVE INCOME	<u>\$ 134,665</u>	<u>\$ 65,272</u>
Cash dividends paid, per share	<u>\$.0750</u>	<u>\$.0625</u>

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three Months Ended March 31, 2001

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Unearned Com- pensation</u>	<u>Retained Earnings Substan- tially Restricted</u>	<u>Accumulated Other Compre- hensive Income</u>	<u>Total Equity</u>
Balance January 1, 2001	\$3,314	2,981,758	(28,354)	(360,900)	4,168,372	15,233	\$6,779,423
Net Income	—	—	—	—	56,107	—	56,107
Other comprehensive income (loss), net of tax	—	—	—	—	—	9,165	9,165
Dividends declared	—	—	—	—	(20,539)	—	(20,539)
ESOP shares released for allocation	—	868	—	5,097	—	—	5,965
Treasury Stock (1,000 shares at cost)	—	—	(11,567)	—	—	—	(11,567)
Recognition and Retention Plan	—	—	—	(11,567)	—	—	(11,567)
Balance - March 31, 2001	\$3,314	2,982,626	(39,921)	(367,370)	4,203,940	24,398	\$6,806,987

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three Months Ended March 31, 2002

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Unearned Com- pensation</u>	<u>Retained Earnings Substan- tially Restricted</u>	<u>Accumulated Other Compre- hensive Income</u>	<u>Total Equity</u>
Balance January 1, 2002.....	\$3,314	2,986,660	(132,421)	(335,151)	4,468,431	12,864	\$7,003,697
Net Income	—	—	—	—	135,668	—	135,668
Other comprehensive income (loss), net of tax	—	—	—	—	—	(1,003)	(1,003)
Dividends declared	—	—	—	—	(23,137)	—	(23,137)
ESOP shares released for allocation	—	2,076	—	5,098	—	—	7,174
Treasury Stock	—	—	—	—	—	—	—
Recognition and Retention Plan	—	—	—	—	—	—	—
Balance - March 31, 2002	<u>\$3,314</u>	<u>2,988,736</u>	<u>(132,421)</u>	<u>(330,053)</u>	<u>4,580,962</u>	<u>11,861</u>	<u>\$7,122,399</u>

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2002 and 2001

	Three Months Ended March 31, 2002 <u>(Unaudited)</u>	Three Months Ended March 31, 2001 <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income.....	\$ 135,668	\$ 56,107
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	9,344	9,229
Stock dividends on Federal Home Loan Bank Stock.....	(4,100)	(5,900)
Net loan costs deferred.....	(6,681)	(4,677)
Accretion of net discounts on investment securities available for sale.....	(1,175)	(6,427)
Amortization of net premiums on investment securities held to maturity.....	1,005	875
Gain on sale of investments.....	(1,710)	—
Provision for allowance for loan losses.....	15,000	—
ESOP compensation.....	7,076	6,151
Management Recognition and Retention Plan expense.....	4,176	4,176
Changes in Operating Assets and Liabilities:		
Accrued interest receivable.....	(39,002)	(58,792)
Prepaid expenses and other assets.....	9,092	60,918
Interest payable on deposits.....	13,229	48,432
Accrued expenses and other liabilities.....	(5,128)	(86,310)
Federal income taxes payable.....	<u>81,300</u>	<u>29,850</u>
Total Adjustments	<u>82,426</u>	<u>(2,475)</u>
Net cash provided by operating activities	<u>218,094</u>	<u>53,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans receivable.....	(564,036)	(1,263,018)
Purchase of investment securities-available for sale.....	(3,000)	(2,010,000)
Proceeds from sale of investments.....	1,001,687	—
Maturities of investment securities-available for sale.....	—	5,500,000
Principal payments from investment securities-held to maturity	120,187	113,488
Purchase of Federal Home Loan Bank stock	—	—
Improvements to premises	(15,956)	—
Purchases of land.....	(2,201)	—
Purchase of furniture, equipment and/or software.....	<u>(1,556)</u>	<u>(5,667)</u>
Net cash provided by investing activities.....	<u>535,125</u>	<u>2,334,803</u>

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2002 and 2001

	Three Months Ended March 31, 2002 <u>(Unaudited)</u>	March 31, 2001 <u>(Unaudited)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	1,971,484	901,382
Advances from Federal Home Loan Bank	—	—
Purchase of stock for management recognition plan.....	—	(11,567)
Purchase of treasury stock.....	—	(11,567)
Dividends paid on common stock	<u>(23,137)</u>	<u>(20,541)</u>
Net cash provided by financing activities	<u>1,948,347</u>	<u>857,707</u>
NET INCREASE (DECREASE) IN CASH AND		
CASH EQUIVALENTS	2,701,566	3,246,142
Cash and cash equivalents - beginning of period	<u>3,649,614</u>	<u>3,436,172</u>
Cash and cash equivalents - end of period	<u>\$ 6,351,180</u>	<u>\$ 6,682,314</u>

The accompanying notes are an integral part of these financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

March 31, 2002

Note 1 - Basis of Presentation -

The accompanying consolidated financial statements at March 31, 2002 and for the three months ended March 31, 2002 and 2001 include the accounts of FPB Financial Corp. (the Company) and its wholly owned subsidiary, Florida Parishes Bank (the Bank). Currently, the business and management of FPB Financial Corp. is primarily the business and management of the Bank. All significant inter-company transactions and balances have been eliminated in the consolidation.

On February 23, 1999, the Bank incorporated FPB Financial Corp. to facilitate the conversion of the Bank from mutual to stock form (the Conversion). In connection with the Conversion, the Company offered its common stock to the depositors and borrowers of the Bank as of specified dates, to an employee stock ownership plan and to members of the general public. Upon consummation of the Conversion on June 30, 1999, all of the Bank's outstanding common stock was issued to the Company, the Company became the holding company for the Bank and the Company issued 331,355 shares of common stock.

The Conversion was accounted for under the pooling of interest method of accounting. In the Conversion, the Company issued 331,355 shares of common stock, 26,508 shares of which were acquired by its Employee Stock Ownership Plan, and the Bank issued 1,000 shares of \$.01 par value common stock to the Company.

The accompanying consolidated unaudited financial statements were prepared in accordance with instructions for Form 10-QSB and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. However, all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the year ending December 31, 2002.

Note 2 - Employee Stock Ownership Plan-

The Company sponsors a leveraged employee stock ownership plan (ESOP) that covers all employees who have at least one year of service with the Company. The ESOP shares initially were pledged as collateral for its debt. The debt is being repaid based on a thirteen-year amortization and the shares are being released for allocation to active employees annually over the thirteen-year period. The shares pledged as collateral are deducted from stockholders equity as unearned ESOP shares in the accompanying balance sheets.

As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as additional compensation expense.

The ESOP shares as of March 31, 2002 were as follows:

Allocated shares.....	6,699
Shares released for allocation.....	458
Unreleased shares.....	<u>19,651</u>
Total ESOP shares.....	<u>26,808</u>
Fair value of unreleased shares.....	<u>\$291,817</u>

Note 3 -Earnings Per Share -

The computation of basic earnings per share for the three months ended March 31, 2002 includes reported net income of \$135,668 in the numerator and the weighted average number of shares outstanding of 288,572 in the denominator. Diluted earnings per share are calculated with reported net income in the numerator and the weighted average number of shares outstanding of 295,992 in the denominator. The computation of basic earnings per share for the three months ended March 31, 2001, included reported net income of \$56,107 in the numerator and the weighted average number of shares outstanding of 293,075 in the denominator.

Note 4 – Recognition and Retention Plan

On April 25, 2000, the Company's stockholders approved a Recognition and Retention Plan (the Plan) as an incentive to retain personnel of experience and ability in key positions. The shareholders approved a total of 13,254 shares of stock to be acquired for the Plan, of which 7,954 shares have been allocated for distribution to key employees and directors. As shares are acquired for the Plan, the purchase price of these shares is recorded as unearned compensation, a contra equity account. As the shares are distributed, the contra equity account is reduced. The allocated shares are earned by participants as Plan share awards vest over a specified period of at least five years. If the service of an employee or non-employee director Plan participant is terminated prior to the end of the vesting period for any reason other than death or disability, the recipient shall forfeit the right to any shares subject to the awards which have not been earned. The compensation cost associated with the Plan is based on the market price of the stock as of the date on which the Plan shares were granted.

Note 5 – Stock Option Plan

On April 25, 2000, the Company's stockholders approved a stock option plan for the benefit of directors, officers, and other key employees. An amount equal to 10% of the total number of common shares issued in the initial public offering, or 33,135 shares, are reserved for issuance under the stock option plan. The option exercise price cannot be less than the fair value of the underlying common stock as of the date of the option grant and the maximum option term cannot exceed ten years.

The stock option plan also permits the granting of stock appreciation rights (SARs). SARs entitle the holder to receive, in the form of cash or stock, the increase in fair value of the Company's common stock from the date of the grant to the date of exercise. No SARs have been issued under the plan.

The following table summarizes the activity related to stock options:

	<u>Exercise Price</u>	<u>Available For Grant</u>	<u>Options Outstanding</u>
At inception.....		33,135	--
Granted.....	\$10.50	(25,603)	25,603
Granted.....	\$11.50	(900)	900
Granted.....	\$14.00	(1,000)	1,000
Cancelled.....	--	--	--
Exercised.....	--	--	--
At March 31, 2002.....	--	5,632	27,503

FPB FINANCIAL CORP AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion compares the consolidated balance sheet of FPB Financial Corp. and Subsidiary at March 31, 2002 to December 31, 2001 and the results of operations for the three months ended March 31, 2002 with the same period in 2001. Currently, the business and management of FPB Financial Corp. is primarily the business and management of the Bank. This discussion should be read in conjunction with the interim consolidated financial statements and footnotes included herein.

This quarterly report on Form 10 - QSB includes statements that may constitute forward-looking statements, usually containing the words "believe", "estimate", "expect", "intend" or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause future results to vary from current expectations include, but are not limited to, the following: changes in economic conditions (both generally and more specifically in the markets in which the Company operates); changes in interest rates, accounting principles, policies or guidelines and in government legislation and regulation (which change from time to time and over which the Company has no control); and other risks detailed in this quarterly report on Form 10 - QSB and the Company's other Securities and Exchange Commission filings. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

FPB Financial Corp. is the holding company for the Bank. Substantially all of the Company's assets are currently held in, and its operations are conducted through, its sole subsidiary the Bank. The Company's business consists primarily of attracting deposits from the general public and using such deposits to make loans for the purchase and construction of residential properties. The Company also originates commercial real estate loans and various types of consumer and commercial loans.

Changes in Financial Condition

The Company's total assets increased \$2.2 million, or 3.1%, from \$70.6 million at December 31, 2001 to \$72.8 million at March 31, 2002. This increase was primarily due to increases of \$555,000 in net loans receivable, an increase of \$2.8 million in interest-earning deposits, and an increase in other assets of \$30,000, and was offset by a decrease of \$1.1 million in investment securities and a decrease of \$134,000 in cash and non-interest earning deposits.

Interest-earning deposits in other institutions increased by \$2.8 million, or 87.5%, from \$3.2 million at December 31, 2001 to \$6.1 million at March 31, 2002. The increase was primarily due to proceeds from the sale and maturity of investment securities and increases in interest-bearing deposits, which were invested in interest-earning deposits.

The demand for mortgage, consumer and commercial loans in the Bank's market area increased during the past three months. The net loan portfolio increased \$555,000, or .94%, from \$59.3 million at December 31, 2001 to \$59.8 million at March 31, 2002.

The Company's total classified assets for regulatory purposes at March 31, 2002 (excluding loss assets specifically reserved for) amounted to \$457,000, all of which are classified as substandard. This represents a decrease of \$34,000, or 6.9%, from \$491,000 at December 31, 2001. The largest classified asset at March 31, 2002 consisted of an \$81,000 residential loan. The remaining \$376,000 of substandard assets at March 31, 2002 consisted of 9 residential mortgage loans.

Deposits increased by \$2.0 million, or 3.8%, from \$52.1 million at December 31, 2001 to \$54.1 million at March 31, 2002. The \$2.0 million increase was made up of \$1.7 million in interest-bearing deposits and \$269,000 in non-interest-bearing deposits. Broker originated deposits were \$1.0 million at March 31, 2002, and \$1.0 million at December 31, 2001. Federal Home Loan Bank advances were \$11.2 million at December 31, 2001 and \$11.2 million at March 31, 2002.

Total stockholders' equity increased by \$119,000 for the three months ended March 31, 2002. This increase was a result of net income of \$136,000 and the impact of ESOP shares released for allocation of \$7,000. These increases were offset by \$23,000 in dividends paid and \$1,000 in unrealized loss on investment securities.

Liquidity and Capital Resources

In 2001, the OTS deleted the requirement that a savings institution maintain an average daily balance of liquid assets at least 4% of its liquidity base. The OTS now requires savings institutions to maintain sufficient liquidity to ensure their safe and sound operation.

At March 31, 2002, the Bank's liquidity was 18.6%, or \$4.3 million in excess of the prior minimum OTS requirement.

The Bank maintains regulatory capital sufficient to meet core and risk-based capital ratios of 4.0% and 8.0%, respectively. At March 31, 2002, the Bank's core capital amounted to \$5.9 million, or 8.10% of adjusted total assets of \$72.6 million, and the Bank's risk-based capital amounted to \$6.0 million, or 15.52% of adjusted risk-weighted assets of \$38.8 million.

As of March 31, 2002, the Bank's unaudited regulatory capital requirements are as indicated in the following table:

	(In Thousands)	
	CORE CAPITAL	RISK-BASED CAPITAL
GAAP Capital.....	\$ 5,876	\$ 5,876
Additional Capital Items:		
General Valuation Allowances	—	160
Equity Investments	<u>—</u>	<u>(15)</u>
Regulatory Capital Computed.	5,876	6,021
Minimum Capital Requirement	<u>2,902</u>	<u>3,104</u>
Regulatory Capital Excess	<u>\$ 2,974</u>	<u>\$ 2,917</u>
Regulatory Capital as a Percentage	8.10%	15.52%
 Minimum Capital Required as a Percentage	 <u>4.00%</u>	 <u>8.00%</u>
 Regulatory Capital as a Percentage in Excess of Requirements	 <u>4.10%</u>	 <u>7.52%</u>

Based on the above capital ratios, the Bank meets the criteria for a “well capitalized” institution at March 31, 2002. The Bank’s management believes that under the current regulations, the Bank will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of the Bank, such as increased interest rates or a downturn in the economy of the Bank’s area, could adversely affect future earnings and, consequently, the ability of the Bank to continue to exceed its future minimum capital requirements.

Results of Operations

The profitability of the Company depends primarily on its net interest income, which is the difference between interest income on interest-earning assets, principally loans, mortgage-backed securities, and investment securities, and interest expense on interest-bearing deposits and advances from the Federal Home Loan Bank. Net interest income is dependent upon the level of interest rates and the extent to which such rates are changing. The Company’s profitability also is dependent, to a lesser extent, on the level of its non-interest income, provision for loan losses, non-interest expenses and income taxes. In the three months ended March 31, 2002, net interest income after provision for loan losses exceeded total non-interest expense. Total non-interest expense consists of general, administrative and other expenses, such as compensation and employee benefits, occupancy and equipment expense, federal insurance premiums, professional fees, advertising, stationery, printing and supplies, state shares tax and miscellaneous other expenses.

Net income increased by \$80,000, or 141.8%, in the quarter ended March 31, 2002 compared to the respective 2001 period. The increase in the March 31, 2002 quarter was due to an increase of \$152,000 in net interest income and an increase in non-interest income of \$23,000, which were partially offset by an increase of \$38,000 in non-interest expense, \$15,000 for provision for loan losses and an increase in income tax expense of \$44,000.

Net interest income increased by \$152,000, or 39.4%, in the quarter ended March 31, 2002 over the comparable 2001 period. This is primarily due to a decrease in the average rate paid on interest-bearing liabilities. The net average interest rate spread increased to 3.13% in 2002, from 2.54% in 2001, due to an increase in average interest-earning assets to \$68.9 million for the three months ended March 31, 2002, from \$60.9 million for the comparable 2001 period. We anticipate that our interest rate spread may improve during the second quarter of 2002, which could increase our net interest income.

Total interest income increased by \$21,000, or 1.88%, in the quarter ended March 31, 2002 over the comparable 2001 period. This is due primarily to an increase in average net loans receivable to \$59.5 million at March 31, 2002, compared to \$47.0 million at March 31, 2001, and is offset by a decrease in average investment securities to \$5.2 million at March 31, 2002, compared to \$7.9 million at March 31, 2001.

Total interest expense for the quarter ended March 31, 2002 decreased by \$131,000, or 17.4%, in comparison to the quarter ended March 31, 2001. This decrease is due primarily to a decrease in the average cost of funds during the first quarter of 2002, due to a lower average rate paid in 2002 compared to 2001. FHLB advances averaged \$11.2 million for the three months ended March 31, 2002, and \$8.2 million for the three months ended March 31, 2001. The Company’s average cost of funds decreased to 4.07% for the three months ended March 31, 2002, compared to 5.66% for the three months ended March 31, 2001.

The Company increased its provision for loan losses by \$15,000 in the three months ended March 31, 2002, and no provision for loan losses was added for the three months ended March 31, 2001. The 2002 provision was offset by an \$8,000 consumer loan charge off in the three months ended March 31, 2002, and there were no charge offs for the comparable 2001 period. Management believes our allowance for loan losses is adequate as of March 31, 2002.

Non-interest income increased by \$23,000, or 62.7%, for the three months ended March 31, 2002, over the comparable 2001 period. The increase was attributed to increased fees for deposit accounts with insufficient funds, deposit account service charges, and to a lesser extent the sale of investment securities and sale of insurance products.

Non-interest expenses increased in the quarter ended March 31, 2002 by \$38,000, or 11.1%, over the comparable 2001 period. The increase in the quarter was due to increases of \$33,000 in compensation and employee benefits, \$1,000 in professional fees, and \$14,000 in data processing, which were offset by a decrease of \$2,000 in occupancy and equipment, \$1,000 in advertising, \$4,000 in state shares tax and \$4,000 in stationery, printing and supplies.

Income tax expense increased by \$44,000 for the quarter ended March 31, 2002 over the comparable 2001 period due to an increase in pre-tax income for the quarter.

FPB Financial Corp.

Form 10-QSB

Quarter Ended March 31, 2002

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings:

There are no matters required to be reported under this item.

Item 2 - Changes in Securities and Use of Proceeds:

There are no matters required to be reported under of this item.

Item 3 - Defaults Upon Senior Securities:

There are no matters required to be reported under this item.

Item 4 - Submission of Matters to a Vote of Security Holders:

There are no matters required to be reported under this item.

Item 5 - Other Information:

There are no matters required to be reported under this item.

Item 6 - Exhibits and Reports on Form 8-K:

(a) No exhibits are filed herewith.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the quarter ended March 31, 2002.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FBP FINANCIAL CORP.
Registrant

Date: May 13, 2002

By: /s/ Fritz W. Anderson II

Fritz W. Anderson II
President and Chief Executive Officer

Date: May 13, 2002

By: /s/ G. Wayne Allen

G. Wayne Allen
Secretary